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INDONESIA IN THE YEAR 2000

by

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ABSTRACT

By 2000, the population of Indonesia--especially the overcrowded island of Java--will have increased at least some 40 to 50 percent. While Indonesia's agriculture should be more productive ~~at the beginning of the 21st century~~ than it is now, it is unlikely that increases in output can keep up with increases in demand. The foreign exchange which will have to be paid to import food will not be available to support industrial development.

Economic development will also be restrained by shortages of skilled technical and management personnel, infrastructure, and foreign exchange earned by the export of petroleum. Petroleum sales will not be as limited as earlier forecasts suggested, but by 2000 most crude oil production, which will be declining, will be consumed within Indonesia.

The course of political developments in Indonesia is more difficult to forecast than economic trends. While the present regime seems secure, Indonesian political institutions are unresponsive and fragile, and economic inequality, corruption, and mismanagement could provide catalysts for instability. Moreover, even if there are no radical political changes, the Indonesian political/military leadership of 2000 may not be pro-American and anti-Soviet. Like the leadership of today, it will be intensely nationalistic and will support the United States only so long as US interests seem to parallel Indonesian interests.

The general implication of this analysis ~~for American military planners~~ is that one cannot forecast with any certainty that Indonesia will be an ally or friendly state in the year 2000. Even if Indonesia were an ally the author concludes that Indonesia is unlikely to have military capabilities which would be useful in a general war with the Soviet Union.

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FOREWORD

This Futures Group paper examines the current economic, demographic, and political conditions and trends in Indonesia. The study concludes that conditions will not improve and implies that the basis for significant instability will exist.

This paper was prepared as a contribution to the field of national security research and study. As such, it does not reflect the official view of the US Army War College, the Department of the Army, or the Department of Defense.



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INDONESIA IN THE YEAR 2000

One must have a real gift of prophesy to forecast the condition of Indonesia in the year 2000. None of the factors which appear relevant--population growth, economic and political development, the influence of the armed forces, and the international environment, among others--can be accurately measured for 1980, much less projected into the twenty-first century. Yet, the year 2000 is only 20 years away, and it should be possible to suggest probable directions of change and some conditions which may limit growth and development. At the very least, some of the pertinent variables which will influence the nature of Indonesian society in 2000 can be identified.

Population Growth

Any discussion of Indonesia's future necessarily focuses on population growth and the relation of population to the production of food. Indonesia, the fifth most populous nation in the world, contains the most densely populated area of the world for its size in the island of Java, where in 1978 there were an estimated 650 people per square kilometer (86 million people on 132,187 square kilometers of land.)¹ In the year 2000, the density will be 911 to 1,105 people per square kilometer, or 34.4 to 60.1 million more mouths to feed on Java than in 1978.

1. The most recent Indonesian census was conducted in 1971, and, therefore, all statements of current population are estimates. Except where otherwise noted, estimates and projections in this paper are based on Employment and Income Distribution in Indonesia, A World Bank Country Study, published by the East Asia and Pacific Regional Office, The World Bank, Washington, July 1980, especially "Annex 1: Population Trends and Prospects in Indonesia," pp. 133-172.

The present population density on Java, not to mention future ones, is extremely high--so high that Americans have difficulty comprehending its magnitude. Six hundred and fifty persons per square kilometer corresponds to 1,684 people per square mile, a unit of measure which is more familiar to most of us. For comparison, note that New Jersey, the most densely populated state in the United States in 1970, had a density of 953 per square mile. Furthermore, New Jersey was 88.9 percent urbanized in 1970. Java, with a 77.7 percent higher population density, was probably no more than 20 percent urbanized in 1978. By 2000, the lowest estimate found in the literature anticipates that 2,360 people will be crowded into each square mile of Java (almost 2 1/2 times as many as lived on a square mile in New Jersey in 1970), including the marshes and rugged mountains that cannot possibly sustain human life in very large numbers, if at all. Most estimates are over 2,400 per square mile--one goes as high as 2,863.² To put it another way, in 2000 there will be an average of almost four people per acre--maybe more--on Java compared to one and a half persons per acre in our "crowded," urbanized New Jersey of 1970.

Even so, population pressure on Java will be less than most would have predicted a decade ago. Then the annual rate of population growth in Indonesia hovered close to 2.5 percent, with little convincing evidence that it would fall appreciably. But today the rate of population growth is "only" slightly over two percent, whether because of a successful family planning program or

2. Sukanto Reksohadiprojo, "Oil and Other Energy Resources for Development: The Indonesian Case," Journal of Energy and Development, Vol. 5, No. 2, Spring 1980, p. 292, contains the lowest population projections for 2000 (198 million) that I was able to find. The highest projection was in Geoffrey B. Hainsworth, "Indonesia: Bonanza Development Amidst Shared Poverty," Current History, December 1979, p. 229.

social factors is unclear,³ and demographers project a rate of population growth on Java of 1.5 to 1.7 percent by 2000, depending on what is assumed about mortality rates. The very heavy population density on Java, then, will at least be more manageable than it might have been.

Prospects for Agricultural Production

At the present time, not enough food to feed Indonesia's inhabitants is being produced within the country. Although the output of rice has been increasing, Indonesia is (and has been for years) the largest importer of rice in the world, buying one fourth--one third in 1977--of the grain offered on the international market, thus reducing the foreign exchange available for economic development and other purposes. Even the exceptional harvests of 1978 and 1979 were not adequate to meet the ever increasing demand, and Indonesia had to purchase some 10 percent of the rice it consumed from abroad. Given the methods used in Indonesia since 1966 to increase yields, which focused on more intensive cultivation rather than increased acreage under cultivation, it seems highly unlikely that the country will become self-sustaining in rice, although greater outputs are still possible. To feed 200 million or more Indonesians in the year 2000 without importing grain, it is clear that more land will have to be used for producing food. One of the facts that provides a basis for optimism about Indonesia's future is that more than enough arable land does indeed exist. There are about 39.5 million acres under cultivation now, but some 146.3 million acres--more than a 375 percent increase--probably could be cultivated.

3. Ann E. Booth, "The Indonesian Economy: Looking Towards Repelita III," Southeast Asian Affairs 1979, Singapore: The Institute of Southeast Asian Studies, 1979, p. 127, contends that marital disruption and other factors related to the deteriorating situation of the population of childbearing age is the likely cause of falling fertility rates. Most accounts credit Indonesia's family planning program, however.

Several factors constrain optimistic forecasts, however. The land which could be cultivated is not on Java, Madura, or Bali, where the high population densities are, but in sparsely populated outer island provinces in Sumatra, Kalimantan, Sulewesi, and Irian Jaya, which average only 11 people per square mile. Cultivating this land probably will require some of the people now on Java, and they have been exceedingly reluctant in the past to migrate from their native island to an unfamiliar destination, in spite of a variety of incentives offered by successive governments. The numbers who have left Java so far, even including those who migrated under programs initiated by the Dutch before independence, have been negligible. Apparently most inter-island migration schemes have been poorly managed, so efficient projects in the future may still be effective. However, World Bank demographers who assumed no loss of population from Java through migration were probably realistic.⁴ Moreover, even if the land were cleared for cultivation, much of it is not suitable for rice, the staple of the Indonesian's diet. Certainly, in time, the Indonesian people could learn new eating patterns which would replace or supplement rice with other nutritious foods. But they probably would not by the beginning of the 21st century.

Skills for a Modern Society

At the present time, the large population of Indonesia does not contribute as significantly to development as its leaders would desire. It is a relatively unskilled, unsophisticated population. Less than 60 percent of the adults are literate, with less than two-thirds of the school-age population enrolled in school. Per capita income (1978) was only \$337, less

4. Employment and Income Distribution in Indonesia, p. 161.

than in any other non-Communist East Asian nation except Burma. The scarcity of individuals with managerial skills is indicated by the problems which foreign businessmen have in locating Indonesians--especially non-Chinese Indonesians--to fulfill Indonization goals and to participate in joint ventures. Within the labor force, individuals with the skills and aptitudes for modern industry are also relatively rare. A few manufacturing concerns have chosen not to locate in Indonesia, even though the cost of labor is less expensive than in the countries in which they ultimately have incorporated, because of the low level of education and discipline for work. This situation will undoubtedly change in 20 years. Resources are being allocated to the educational system, and ever increasing proportions of the youth are attending and graduating from secondary schools. By 2000, universal compulsory education of all children may have been achieved. The quality of the educational system, which some critics brand as substandard at all levels, will also improve as procedures for the selection and training of teachers and instructors are upgraded. It is worth emphasizing, however, that the educational system which independent Indonesia inherited from the Dutch was very elitist, that the concept of mass education was virtually unknown in many areas of the country, and that only a tiny group of Indonesian teachers was available. In other words, the problems confronted by Indonesian governments in education have been enormous, and in spite of the dedication of successive ministers of education and professional educators, they will continue to represent limitations on the social, political, and economic growth of the country for decades to come. Modern skills and attitudes will also be developed because of the training programs of foreign businesses and the experience acquired by the continuously, if not yet rapidly, growing pool of workers engaged in more-or-less modern industrial plants.

Trends in Economic Development

The condition of Indonesia's economy in 2000 will depend not only on the assumptions made about the size and character of the population and the volume of agricultural production, but also on a host of other factors, the most important of which is petroleum. Much of the foreign exchange to pay for the economic development of the last 15 years, particularly since 1973, has come from the export of oil. Since the jump in prices in 1973, oil revenue has provided a windfall apparently adequate to pay interest on foreign loans, attracted a fairly steady stream of new foreign investment, purchased up to 2 million tons of rice annually, and stimulated an average seven to eight percent growth in GDP. Furthermore, in spite of some temporary reductions in production, oil revenue has continued to increase. Indonesian reserves, however, are finite and the export of crude may stop even before 2000--until the new higher prices provided an incentive to search for new oil fields and implement secondary recovery operations, it confidently had been predicted that exports effectively would end during the 1980's. Now, even with domestic consumption increasing 12 to 15 percent a year, it is estimated that crude oil in excess of domestic needs will be produced into the 1990's and, as new discoveries increase the size of Indonesia's oil reserve, perhaps longer. Furthermore, the liquified natural gas (LNG) industry is growing rapidly, and by the end of the century will be a major foreign exchange earner, although LNG will not earn enough to offset the loss of crude exports. Concurrently natural gas will be available, if distribution problems can be solved, as a domestic energy source. So will coal, which has recently been discovered in large quantities in southern Sumatra; hydroelectric dams; and

geothermal resources. Crude petroleum exports, then, may continue to help finance Indonesian development even into the 21st century, 10 to 20 years longer than many had expected only a few years ago.

In the next two decades, the economy of Indonesia will continue to grow more diversified, both in the extractive industries which exploit Indonesia's mineral, agricultural, and forestry resources and in the manufacturing sector. However, growth and diversification will be limited by the quality of the labor force, already mentioned, and the lack of infrastructure, especially in the outer islands. Repelita III, the current economic plan, emphasizes the development of roads, communications, energy, and other infrastructure features, and one should expect far-reaching changes by 2000. Yet there are very serious deficiencies in the most highly developed parts of Java, and a total absence of infrastructure in some areas of Kalimantan, Sulewasi, Irian Jaya, and some of the smaller islands. It is hard to imagine that enough progress can be made in 20 years for Indonesia's economy to reach the "take-off" level of development which might assure self-sustaining economic growth and the complex social and political developments which are frequently associated with it. A more reasonable--and still optimistic--forecast is that Indonesia's economy will grow at a rate of some 5 to 8 percent per year for the next 20 years, assuming relatively stable political conditions and a relatively favorable international environment.

Political Climate in 2000

It is difficult to argue convincingly that there is likely to be a radical change in Indonesian politics in the near term. The Suharto government certainly has enemies, but they are not united and do not seem to have the resources or broad appeal to mount a serious challenge. On the other hand, political institutions in Indonesia are very fragile. Political parties

and interest groups are ineffective as channels of communication from the population to the government, and vice-versa. Elections are manipulated by the regime. Legislative bodies at all levels are dominated by the executive--a large portion are appointed rather than elected. With reason, these institutions are not rated as very important by many Indonesians. Within the executive, departments and bureaucracies have little independence from their politically appointed heads, and decisions tend to be passed upwards; bottlenecks with almost intolerable delays are routine. Local governments are dominated by the central government. And the military--primarily the Army--dominate central, regional, and even local administrative agencies. It is really not surprising that the Indonesian government is frequently inefficient; it is remarkable that the regime seems to understand the aspirations of the heterogeneous population as well as it does when meaningful participation is as limited as it is, and that it can implement policy as effectively as it does when the machinery of government is as cumbersome as it is.

In addition to these institutional features which often are associated with political instability, economic conditions are present which could lead to widespread dissent. In the cities, especially Jakarta, the disparity between the affluence of the wealthy and the abject poverty of the masses living in substandard neighborhoods becomes more visible each year, in spite of a relatively substantial growth in per capita GDP. Corruption, one of the institutions of Indonesian society which is firmly established, appears to become more and more unacceptable as it extends to more and more activities and involves larger and larger sums of money. Furthermore, the corrupt and affluent appear to be disproportionately ethnic Chinese and military.

Foreigners seem to hold too much influence over the Indonesian economy. Moreover, these observations, published primarily in the West, are shared by many Indonesian intellectuals and professionals. In some rural areas, underemployment and poverty are rampant. In the past, however, at least in Java, rural poverty has been a shared phenomenon, with little economic inequality. But this condition may be changing under the stimulus of government programs that encourage greater productivity through economies of scale and relatively less labor intensive techniques which may be leading to a higher concentration of land ownership.⁵ Continued economic growth without a redistribution of resources to the lower strata of society could lead to a volatile political situation, especially if widespread popular demands are supported by segments of the military. Government plans do call for some redistribution of income through a variety of programs, but at the present time it is impossible to say whether they will have any significant effect.

Like similar political systems, Indonesia has not developed a method of orderly succession. The machinery of the Constitution may be utilized to legitimize the ruler who replaces Suharto, but the actual decision will be made through extra constitutional means. Most observers think that the Army will actually choose the new leader, almost certainly from among its senior officers. But whether through a relatively peaceful process of political intrigue or through a test of arms is uncertain. A complicating factor is that the succession to the Indonesian Presidency is likely to coincide roughly with the transition of armed forces' leadership from the "Generation of 45" to the "Magelang Generation." The former are the officers who fought in the war for independence and have been involved in all of the crises and developments of Indonesian national life ever since. Their interests, to oversimplify a little, are more political than military and they have assumed

5. Hainsworth, pp. 200, 228, presents a brief but cogent argument that economic inequality is becoming more pronounced in rural Java.

responsibility for all aspects of Indonesia's development. The latter generation are the officers who have graduated from the military academy at Magelang, the first class being commissioned in 1957. Oversimplifying again, these officers are better trained as military professionals than their seniors. Their interests, unlike members of the Generation of 45, are relatively narrow and they have not shared the experiences of struggling against the Dutch for national freedom. Given these different experiences and orientations, it is reasonable to question whether the members of the new generation of military leaders will want to assume the broad political responsibilities that the Generation of '45 assumed, or whether they will defer to civilians who have more expertise and perhaps more vision.

A similarity among both generations of military leadership--among all segments of the political elite, in fact--is a strong sense of nationalism and a profound distrust of foreigners.⁶ The generals and their technocrat associates who rule Indonesia today have pursued a nonaligned foreign policy with a clear tilt toward the West and the United States primarily because they believe that the economic, political, and military presence of the United States in Southeast Asia is in Indonesia's interest and, secondarily, because they are dogmatically anti-Communist. However, they also are opposed to many US policies relating to international trade, the law of the sea, and other matters, and they certainly feel no long-term commitment to the United States or to the ideals of Western democracy. Younger officers and technocrats who (assuming no coups, rebellions, or revolutions in the meantime) will be moving into positions of authority in 2000 will probably share the perceptions of their elders--they do now--and will tend

6. Franklin B. Weinstein, Indonesian Foreign Policy and the Dilemma of Dependence: From Sukarno to Soeharto. Ithaca: Cornell University Press, 1976, especially pp. 288 ff., documents the pervasiveness of this attitude.

to support the United States in international politics only as long as and to the degree that US interests and Indonesia's interests are viewed as sufficiently similar.

To explore the current Indonesian political scene inevitably leads to many virtually unanswerable questions about the future. With a healthy, expanding economy and a little luck, the present government may not be seriously challenged, and President Suharto's successor may be chosen without major destabilizing conflicts. It is equally feasible, however, especially if the economic situation deteriorates, that Indonesian politics could be thrown into turmoil with unforeseeable consequences.

The international environment between now and the year 2000 could take many different forms, and Indonesia will have relatively little influence in shaping it. Rightly or wrongly, the international politics of Southeast Asia decisively is more influenced by the United States, the Soviet Union, China, and Japan than by Indonesia and its neighbors. Nonetheless, for the purpose of this paper, it is assumed that international conditions for Indonesia will not radically change: great power competition will continue in the area; ASEAN will continue to develop as an organization of cooperation, but will not become an alliance; and China will continue to be perceived as the most likely threat to Indonesia's security. Should the international environment change in such a way as to increase the sense of threat in Indonesia, the impact on economic and political development could be substantial. The armed forces, which have not demanded disproportionately large shares of the national budget and have focused their attention on the maintenance of internal security and nonmilitary roles could be expected to receive a larger proportion. On the other hand, a more favorable international environment might provide the justification for even greater government concentration

on economic development and equitable distribution of its benefits, a more favorable climate for foreign investment, and a more tolerant atmosphere for political competition.

Military Implications

The important general implication of this analysis for American strategists and military planners is that Indonesia will not necessarily be a friend of the United States in the year 2000. Even if Indonesia's government is still dominated by the military, it may or may not want to cooperate with the United States, depending on how Indonesian leaders perceive the compatibility of their interests and US interests.

If sufficient Indonesian and American interests are thought to coincide in 20 years, Indonesia might provide transit rights, the use of ports and airfields, and logistical support in the event of a crisis or conflict. It would also probably help keep the strategically important straits of Malacca and Lombok, among others, open to the merchant and naval vessels of the United States and its allies. Indonesian armed forces probably could not make a significant contribution in a conflict involving the Soviet Union (assuming Indonesia is not invaded) because Indonesia's military will only have a minimum projection capability for several decades beyond 2000. On the other hand, Indonesia will be the strongest non-Communist state in Southeast Asia, and--barring major power intervention--will be able to contribute toward peace and stability in the region and generally support US security policy.

While it does not seem highly likely at the present time, it is certainly possible that a new political elite, or members of the present ruling

groups who do not identify Indonesia's interests with those of the United States, will have taken command in Jakarta. If so, basing and logistical facilities would not be made available, and Indonesia might generally oppose the policy of the United States, Japan, and other allies. The ships of the United States and its allies might be harassed when traversing Indonesian waters. Furthermore, Indonesia might appear as a threat to traditional US allies and friends in the region, requiring a response by the United States. Although less likely, it is not infeasible that Indonesian facilities might be provided to the Soviet Union, with ominous implications for America's strategic position.

Carefully formulated and executed American policy can increase the probability--but not guarantee--that a friendly regime will control Indonesia in the year 2000. Therefore, in the meantime, strategists and planners for the Army must emphasize flexibility and prudence to minimize potential costs and risks while remaining alert to exploit the strategic benefits of Indonesia's cooperation.

The general implication of this analysis for American military planners is that one cannot forecast with any certainty that Indonesia will be an ally or friendly state in the year 2000. Indonesia's government may or may not want to cooperate with the United States, even if the regime is very similar to the one existing today. Indeed, it is not highly improbable that Indonesia's rulers might interfere with US passage through the SLOCs which transverse Indonesian waters. Moreover, assuming its leaders do desire to support US security policy, including military support in time of war, Indonesia is unlikely to have military capabilities which would be

useful in a general war with the Soviet Union if only because its economy probably will not support an extensive military expansion or modernization program. On the other hand, in the year 2000, as today, Indonesia will be able (if willing) to contribute to the maintenance of security in Southeast Asia, give political support to US security policy, and provide basing, logistics, and communications facilities in case of hostilities.

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